

A Special Report: Details of the AAFES Reorganization

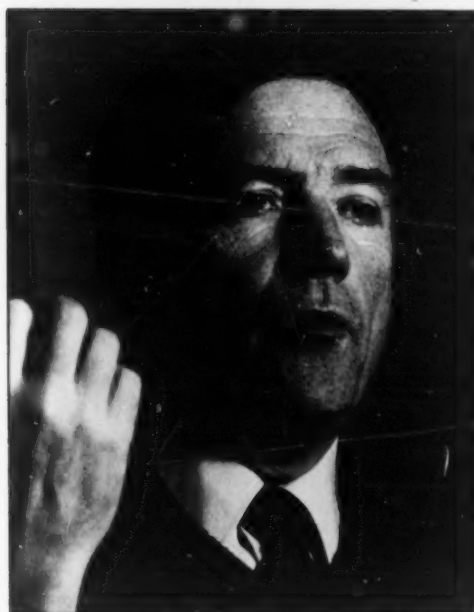


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Rear Admiral Rodney K. Squibb leads the Navy resale squad

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AAFES boss, Maj. Gen. Jeffery Kahla, USAF

NOVEMBER 1989

VOL. 40, NO. 11

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Military Market Index

All figures in dollars

June '88

June '89

HOW THEY STACK UP



+7.05%
Grocery
Stores¹

+0.73%
All
Commissaries

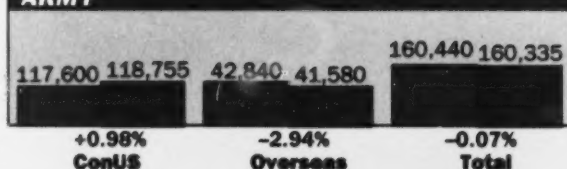
+7.00%
Department
Stores¹

+5.60
All
Exchanges

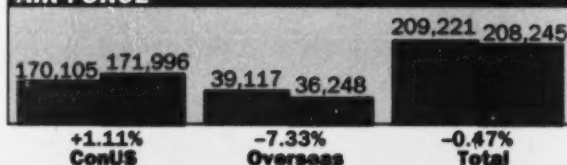


COMMISSARIES

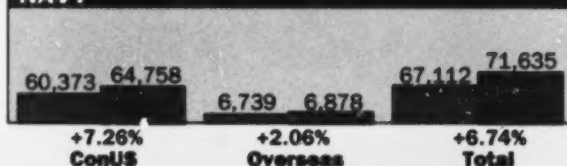
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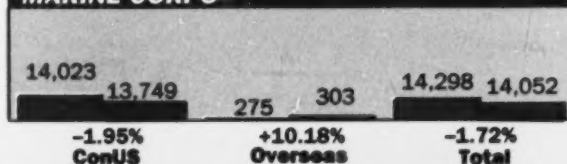
AIR FORCE



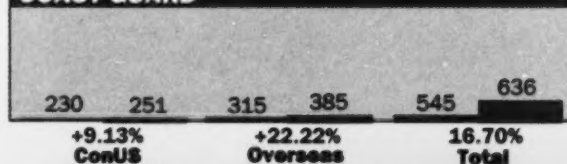
NAVY



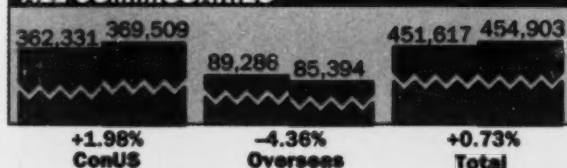
MARINE CORPS



COAST GUARD

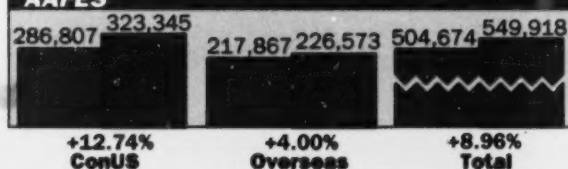


ALL COMMISSARIES

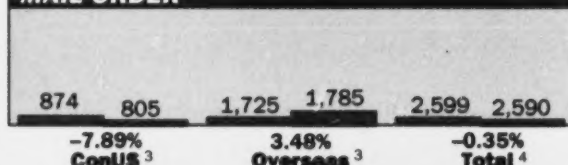


EXCHANGES

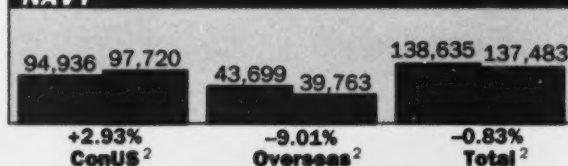
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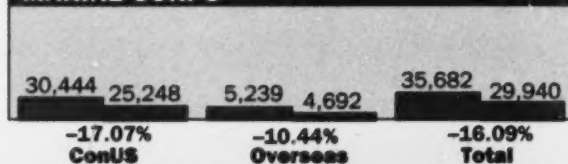
MAIL ORDER



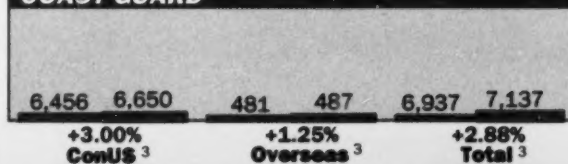
NAVY



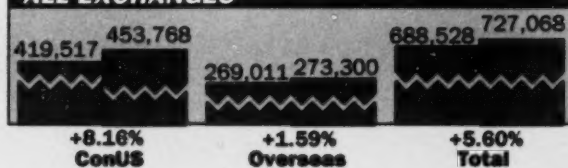
MARINE CORPS*



COAST GUARD



ALL EXCHANGES



1) Source: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in thousands (000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.

*Because of MWR consolidation, Marine Corps exchange sales in 1989 are not comparable to 1988 sales.

Marty Baumann

The new AAFES claims savings of \$16 million

The AAFES reorganization — which the agency claims will save some \$16 million a year in overhead expenses — will close the four existing ConUS exchange region offices and realign the regions themselves.

AAFES will set up a new office — the AAFES Operations Center or AOC — somewhere in the Dallas/Fort Worth metroplex. The AOC will be housed in a leased building, possibly in the planned community of Las Colinas, informed sources told **MILITARY MARKET**. The exchange service reportedly needs at least 150,000 square feet of office space for the new facility.

Las Colinas is about 25 miles northwest of the AAFES headquarters building in south Dallas and about six miles east of the Dallas/Fort Worth airport.

Organizationally, the AOC will consist of four sectors — western, central, eastern, and southern. These sectors will replace the old regional structure, though geographic boundaries have not yet been established.

Each sector will be headed by a "sector director," the equivalent of a current region chief.

A sector director will have a small support staff of about 11 people — including secretaries, administrative assistants and professional staff to oversee retail, food, services, finance and accounting and engineering functions.

The four sectors together will be supported by a new, centralized Operations Support Center (OSC) of around 500 people.

The new central operation will employ approximately 550 people, including the four sector groups and the OSC employees.

Though it became effective on Oct. 4, the restructuring plan will take nearly two years to complete. The Golden Gate and Southeast region offices are scheduled to close in August of next year, followed by the Alamo office in January 1991 and the Capital office in July 1991. [EDITOR'S NOTE: See chart.]

Shutting the four region offices will affect 810 people, but save \$15.6 million in annual overhead operating expenses, AAFES claims. There will be savings of \$5.6 million from personnel cuts; \$2.8 million in PCS (permanent change of station moves); \$3.5 million in special programs, including training and recruiting, labor relations management, and TDY (temporary duty assignments), and \$3.8 million in "other" expenses like duplicate staffs,

expendable supplies, utilities and maintenance.

Of the 810 people affected by the region closings, 227 are UA (management) positions, and 583 are HPP (blue collar and support) positions.

In all, the agency expects to relocate 630 region-level employees — 550 of them to the AOC. Others will go to positions elsewhere in the system. About 20 will be assigned to area exchanges in ConUS, and around 60 will join the agency's headquarters staff in Dallas. [EDITOR'S NOTE: See chart.]

Of the remaining 180 employees affected by the reorganization, some are expected to retire and others will resign, said Col. Carol Habgood, the agency's public affairs chief.

"Some employees will choose to leave," she said. "We do have turnover," which varies by region, she

said. For instance, since January 1989, turnover in the Capital Exchange Region has averaged 45.1 percent for all workers, but in the Southeast Exchange Region turnover is less than half that — only 21.7 percent in the same period. Overall, AAFES' ConUS turnover has averaged 27.2 percent in the nine months since January 1989.

Employees who want to leave the agency will be referred to government and civilian sources to help them find new jobs. Out-placement and resume-writing counseling will be provided on request.

The new Dallas/Fort Worth centralized operation is expected to generate an annual payroll of about \$20.9 million.

A \$4-million, one-time reorganization cost will cover the lease for the new operations center and employee moving expenses, Habgood said.

Affected locations/scheduled actions —

Facility	Location	Action	NLT Date*
AAFES Operations Center	Dallas/Ft. Worth	Establish	Aug. 90
ConUS Operations Sectors	Dallas/Ft. Worth	Establish	Aug. 90
Present ConUS regions		Disestablish	Aug. 90
Golden Gate office	San Francisco	Project closure	Aug. 90
Southeast office	Montgomery	Project closure	Aug. 90
Alamo office	San Antonio	Project closure	Jan. 91
Capital office	Charlestown	Project closure	Jul. 91

* Action should be accomplished not later than date indicated.

Congress takes AAFES change in stride

Members of Congress in whose districts reside the current AAFES region offices have expressed their disappointment with the job losses which will be caused by the closures.

■ Alamo Exchange Region, San Antonio, Texas — "The rights of these workers must be protected," said Rep. Albert Bustamante, D-Texas, in a press release. "I am glad to see that AAFES has a plan in place to do just that." Bustamante was scheduled to meet with Maj. Gen. Jeffery Kahla, AAFES commander, on Oct. 6 to discuss the matter.

■ Capital Exchange Region, Charlestown, Ind. — "I'm very disappointed at the loss of so many jobs at Charlestown," said Rep. Lee Hamilton, D-Ind. The Charlestown office is located at the Indiana Army Ammu-

nition Plant. That installation already was slated for partial closure under the Base Realignment and Closure Act, but no date was set.

■ Golden Gate Exchange Region, San Francisco, Calif. — "The closure is a matter of great concern to affected AAFES employees and to me," said Rep. Nancy Pelosi, D-Calif., in a letter to Kahla obtained by **MILITARY MARKET**.

■ Southeast Exchange Region, Montgomery, Ala. — "I'm concerned since nothing could be done to prevent this," said Rep. William Dickinson, R-Ala. "I'm upset over the potential loss of 180 jobs, but we understand employees will be offered other jobs."

AAFES owns its regional buildings in San Francisco and San Antonio, and it leases the one in Montgomery.

Impact of the action —

CURRENT STRENGTH

	GGER	ALER	CPER	SEER	Region Totals	Adds to HQ, AXs & AOC	Net Savings
UA ¹ jobs	50	58	65	54	227	144	83
HPP ² jobs	144	148	148	140	583	486	97
Total	197	206	213	194	810	630	180

PROJECTED DISPOSITION

Relocations	162	163	164	141	630
Local exchange jobs	21	34	22	28	105
Retirements	5	7	8	9	29
Normal attrition	4	3	11	8	26
RIFs	3	1	8	8	20
Total	195	208	213	194	810

¹ Universal Annual wage schedule: salaried employees equivalent to Civil Service General Schedule.

² Hourly Pay Period employees: clerical, administrative, blue collar and other support personnel.



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THE AAFES REORGANIZATION

Questions abound about the new AAFES structure

Besides saving \$16 million, what are the main advantages of reorganizing?

"We anticipate operational improvements by consolidating the sectors in the Dallas area. For example, it'll be easier for the region chiefs to work with the AAFES headquarters staff and its executive management team, because they'll be located in Dallas. They can also get the early word on our customer service programs, so they can give them to their exchanges more quickly," says Col. Carol Habgood, AAFES public affairs chief.

Will the \$16-million savings enable the agency to reduce prices?

"The savings will be passed on to customers by means of MWR [morale,

welfare and recreation] dividends and improvements to the capital program," says Habgood. But prices are not expected to change as a result of the reorganization.

Will AAFES replace regional oversight with computers?

Not really. Although the agency will have its multi-million dollar Visions automation project in place by 1992 — which will allow direct communication from the stores to headquarters — the new operations center is not intended to manage stores electronically, according to Air Force Maj. James Heaberg, AAFES spokesman. "The reorganization will not affect ASAP [the AAFES Store Automation Project] or IGLAS [the Integrated

General Ledger Accounting System]," which are the two main parts of the automation project.

What will happen to the region chiefs?

The four region chief positions will convert into sector directors, operating out of the new operations support center. However, "The new sector directors will not necessarily be the same region chiefs we have now," says public affairs chief Carol Habgood.

Each sector director will have a support staff of about 11 people. These will include executive-level professionals, administrative assistants, secretaries, and professional staffers for retail, food, services, finance and accounting, and engineering.

COAST GUARD

Hugo batters CG exchanges

Hurricane Hugo slammed into Coast Guard exchanges in San Juan, Puerto Rico, and Charleston, S.C.

The two buildings sustained about \$200,000 in damages. Each exchange lost about \$50,000 in inventory, said

Cmdr. Roy Cook, assistant chief of the Coast Guard's exchange and morale division.

The exchanges reopened partially three days after Hugo hit; they are to be operating fully by late November.

How much customers save by shopping in commissaries*

Category	Air Force	Army	Marines	Navy	DoD Average
Dairy	23.6%	22.6%	24.3%	27.0%	24.3%
Grocery/Food	21.5	19.8	23.4	24.0	21.8
Grocery/Non-Food	30.1	31.1	28.7	30.9	30.5
H&BA	28.1	26.3	35.3	31.6	28.9
Meat	28.1	29.1	22.8	27.5	27.9
Produce	32.5	33.1	31.5	30.2	32.0
Subtotal	24.6	23.7	26.6	26.8	25.0
Tobacco	35.1	32.4	N/A ¹	35.2 ²	33.9
Total	26.0	25.2	26.6	27.3	26.1%

*Chart compares category market baskets of commissary products (including surcharge) with market baskets of supermarket items (including state or local taxes, wherever applicable). Survey was conducted at 29 ConUS commissaries and 12 overseas commissaries. In most cases, three supermarkets were surveyed near each installation. Comparisons were done during the first quarter of calendar year 1989.

¹ Tobacco is not stocked in Marine Corps commissaries.

² Two stores only — NWS Charleston, S.C., and NB Pearl Harbor, Hawaii.

SOURCE: 1989 DoD Joint Services Triennial Commissary Pricing Survey, as conducted by Competitive Commodities and Services.

More Navy buyers due at workshop

The Navy will send more exchange buyers and fewer financial and administrative people to next year's Military Exchange Services Professional Development Workshop.

Exhibitors at the 1988 MESPDW griped that the Navy Resale and Services Support Office sent only a handful of supervisory buyers to the event.

"We sent about all the people we could afford, from a macro view [to the 1988 PDW]," said Rear Adm. Rodney Squibb, the agency's commander, in a recent interview with MILITARY MARKET. "The intent of [the workshop] was not to be making purchases on the scene, anyway," he said.

Navy buyers who attended last year's show did not write purchase orders at the event. However, they did buy show products a few weeks later, Squibb said.

Squibb said that last year's workshop was worthwhile and that Navy delegates made good personal contacts, while picking up merchandising ideas and product information.

Although exhibitors would like exchange service attendees to be able to write purchase orders at the biennial event, Squibb said he thinks that would be "the wrong thing to ever do," since ethical restrictions for government personnel are getting stricter.

The next MESPDW will be held at the Dallas Convention Center, August 12-17, 1990.